GOVERNMENT OF INDIA
SHIPPING
LOK SABHA

STARRED QUESTION NO:353
ANSWERED ON:17.04.2002
GROWTH OF SHIPPING INDUSTRIES .
SHANKERSINH VAGHELA

Will the Minister of SHIPPING be pleased to state:

(a) whether the Government are aware of the sluggish growth of Shipping Industry in the country as compared to rapid growth of the merchant fleets in the countries like China and Singapore;

(b) if so, the reaction of the Government in this regard;

(c) the details of the strategies proposed to be formulated to reverse the process;

(d) whether the Government propose to create a fiscal regime at par with that adopted by advance maritime countries; and

(e) if so, the details thereof ?

Answer

MINISTER OF SHIPPING (SHRI VEDPRAKASH P. GOYAL)

(a) to (e) : A statement is laid on the table of the House.

Statement referred to in the reply to part (a) to (e) of the Lok Sabha Starred Question No. 353 to be answered on 17th April,2002 regarding Growth of Shipping Industries by Shri Shankersinh Vaghela, M.P.

(a) : Though it is a fact that the growth of Indian shipping tonnage has been sluggish during the last decade, but on perusing the comparative position vis-Ã -vis other maritime nations as at Annex, it would be evident that both in quantum and percentage growth of tonnage, India is not unique in having a lower growth rate, particularly during the last five years.

(b) : India inherited a miniscule merchant fleet of 0.75 million GT at the time of independence. However, proactive and facilitative policies followed by the government in the form of cargo support to Indian bottoms, facilitative fiscal regimes, capital at concessional rate of interest, etc. enabled Indian fleet to expand and diversify at a much faster pace, However, due to the liberalization of the economy various benefits and concessions for the growth of Indian shipping tonnage were gradually withdrawn. Thus, the Indian shipping tonnage after 1991 grew at a much slower pace and in fact started declining after reaching the 7 million GT mark in 1996 and as on 1.4.2000, the Indian fleet was 6.66 million GT. However, as on 1.4.2002 the Indian fleets tonnage stands at 6.82 million GT.

The Government of India having realized the need for stemming this decline in Indian shipping tonnage initiated a series of facilitative fiscal measures during last 3 years and notable of them are as follows:-

- Restoration of Section 33 AC of the Income Tax Act from 50% to 100% tax relief on amounts earmarked for vessel acquisition in separate reserve account.
- Increase in depreciation rate from 20% to 25%.
- Necessary amendments in Exim policy to rectify the anomoly of categorizing acquisition of second hand vessels as capital goods, which necessitated procuring of special import licence for the purpose.
- Ministry of Shipping convinced Ministry of Finance to roll back imposition of 5% customs duty on acquisition of ocean going ships from abroad.
- Allowing 100% foreign direct investment in the field of shipping.
- Expanding the scope of Section 33AC to stimulate Indian ship owners to earmark higher funds for acquisition of tonnage. Further, to make this section more attractive for Indian ship owners, Government has decided to allow deduction of funds transferred under Section 33AC while computing book profits for the purpose of Minimum Alternate Tax.

(c) to (e): As has been mentioned above, the Government of India has already initiated a series of steps during the last three years so as to boost the Indian shipping industry, which in turn would lead to acquisition of more tonnage.

In addition to the above, the Government has also initiated the following so as to achieve a level playing field for Indian shipping industry and make it internationally competitive :-

- The Government constituted an Expert Committee under the Chairmanship of Shri Rakesh Mohan to review Indian Shipping and to recommend measures to address the associated problems. The Committee has recommended introduction of Tonnage Tax as is followed by the leading maritime nations of the world. The recommendations of the committee are being considered by the Government.
- The Government has initiated a series of measures to improve port infrastructure and efficiency so as to attract higher capacity vessels, improve turnaround time, reduce per unit cost, etc. which would have a positive impact on the Indian shipping industry.
- The Government has allowed private sector participation in the realm of providing training to seafarers, which would help in producing a higher number of quality seafarers to man Indian flag tonnage.

ANNEXURE

COMPARATIVE GROWTH OF SHIPPING TONNAGE

(in million GT)

	1980	1995	1996	1997	1998	1999	2000	CAGR 95-2000	CAGR 80-2000
China	6.87	16.94	16.99	16.33	16.5	16.31	16.49	-0.53%	7.00%
Hongkong	1.71	8.79	7.85	5.77	6.17	7.97	10.24	3.30%	24.94%
India	5.91	7.12	7.12	6.93	6.77	6.91	6.66	-1.29%	0.63%
Indonesia	1.41	2.77	2.97	3.19	3.25	3.24	3.38	4.40%	6.99%
Iran	1.28	2.9	3.56	3.55	3.34	3.54	4.23	9.17%	11.52%
Malaysia	0.7	3.28	4.17	4.84	5.2	5.24	5.32	12.44%	33.00%
Korea	4.34	6.97	7.55	7.42	5.69	5.73	6.19	-2.24%	2.13%
Singapore	7.66	13.61	16.44	18.87	20.37	21.78	21.49	11.58%	9.03%